

Article - Tax - General

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§10-222.

(a) In this section, “tax preference items” mean the items that:

(1) total more than \$10,000 for an individual return or \$20,000 for a joint return;

(2) are defined under § 57 of the Internal Revenue Code;

(3) are modified and apportioned under § 59 of the Internal Revenue Code; and

(4) are further modified by excluding:

(i) the oil percentage depletion allowance claimed under § 613 or § 613A of the Internal Revenue Code; and

(ii) interest described in § 57(a)(5) of the Internal Revenue Code, if the interest is attributable to obligations of:

1. the State of Maryland;

2. a political subdivision or authority of the State; or

3. any other entity authorized under Maryland law to issue obligations the interest on which is excluded from gross income under § 103 of the Internal Revenue Code.

(b) Each shareholder of an S corporation shall report the shareholder’s pro rata share of the tax preference items of the corporation.

(c) (1) A nonresident shall include as tax preference items only those items that are based on income taxable in the State.

(2) If the tax preference items are based on income derived both in and out of the State, the nonresident shall include only a fraction:

(i) the numerator of which is the dollar amount of the tax preference items based on income taxable in the State; and

(ii) the denominator of which is the total dollar amount of the tax preference items.

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